

Transit, Transshipment, and Intermediate Trade: Hong Kong, China's Experience



Trade and Industry Department
Hong Kong, China
1 March 2018

Presentation Outline

- Hong Kong's Situation and System of Strategic Trade Control
- The Four Pillars of our Control System
 - Legislation
 - Licensing
 - Enforcement
 - International Cooperation
- Partnership with Industry



Hong Kong's Situation

In 2016, Hong Kong was -

The 7th Largest Trading Entity

- Trade volume = US\$ 1,064.1 billion

The Busiest Air Cargo Terminal

- Air cargo throughput = 4.5 million cubic tonnes

The 5th Busiest Container Port

- Ocean cargo throughput = 19.8 million
Twenty-foot equivalent units containers

3

Challenges faced by Hong Kong

Effective
Control

Trade
Facilitation

4

Hong Kong Special Administrative Region: Strategic Trade Control

Background

- Separate Customs Territory
- Autonomous Trading Entity
- Administration of Own Strategic Trade Control System

Objectives

- Prevent Hong Kong from being used as a conduit for proliferation
- Secure continued access to high technology goods

5

Our Current System: The Four Pillars



6

Legal Definition of Transshipment

“Transshipment cargo” means any imported article that :-

- is or to be removed from the vessel, aircraft or vehicle in which it was imported and either returned to the same vessel, aircraft or vehicle or transferred to another vessel, aircraft or vehicle before being exported
- is consigned on a through bill of lading or through air waybill from a place outside Hong Kong to another place outside Hong Kong

7

Legal Definition of Transit

“Article in transit” means an article which :-

- is brought into Hong Kong solely for the purpose of taking it out of Hong Kong; and
- remains at all times in / on the vessel or aircraft which brings it into Hong Kong

8

Licensing for Transshipment and Transit (1)

- Transshipment cargo and article-in-transit are regarded as separate import and export
- Transshipment:
Licences are required unless otherwise exempted under law

9

Licensing for Transshipment and Transit (2)

- Article-in-transit :
Licences are required for specified sensitive items (certain munitions and all nuclear-related materials and equipment)
- WMD end-use :
Licences are required without exception

10

Licensing for Intermediate Trade (1)

- Intermediate Trade:
Trade in semi-finished goods / parts and components across customs territories so as to arrive at the finished goods

11

Licensing for Intermediate Trade (2)

- Technical specifications of strategic commodities are set out in the Schedule 1 to the Import and Export (Strategic Commodities) Regulations, Chapter 60G of the Laws of Hong Kong, China
- An intermediate goods is subject to our licensing requirements when its technical specification meets the control threshold.

12

Licensing System for Strategic Commodities (1)

- Processing of a licence application
 - Technical assessment process
 - Risk assessment process

13

Licensing System for Strategic Commodities (2)

- Pre-shipment licensing
- Consignment based
- Legal responsibility of carriers

14

Partnership between Licensing and Enforcement Authorities

- Close liaison between licensing and enforcement authorities
 - pre-licence check
 - post-shipment verification
 - delivery verification check
- Sharing investigation results and intelligence


15

Extensive Enforcement Programmes

- Cargo examination
- Verification and Checks
- Intelligence
- Investigation
- Prosecution
- Outreach

16

Partnership with Industry

- 
- Daily contacts with traders
 - Meetings with/ visits to companies
 - “Know-Your-Customers” seminars
 - Technical workshops on control list
 - Education Programmes on website

17

International / Bilateral Cooperation



Updates on
Regimes'
Controls

Participation in
International
Conferences /
Workshops

**International /
Bilateral
Cooperation**

Exchange of
Information

Meetings with
and Visits to
Trading Partners

18

Conclusion

- Hong Kong, China is implementing a robust strategic trade control system on the basis of comprehensive legislation.
- Control system is carefully designed to balance the need for flow of trade and the concern on global security.
- Strategic trade flow is monitored and scrutinized but not hindered.

19



Thank
You!

20